

Message Text

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PAGE 01 STATE 178851

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INFO OCT-01 NEA-10 ISO-00 EB-07 /018 R

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P 292147Z JUL 75

FM SECSTATE WASHDC

TO USINT BAGHDAD PRIORITY

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E.O. 11652:N/A

TAGS: BEXP, IZ

SUBJECT: FERTILIZER PLANTS -- KELLOGG INTERNATIONAL

REF: A) BAGHDAD 629; B) STATE 149761

1. KELLOGG WASHINGTON REP HAS APPROACHED COMMERCE REQUESTING THAT APPROPRIATE REPRESENTATIONS BE MADE ON COMPANY'S BEHALF IN ITS EFFORT TO WIN GOI MINISTRY OF INDUSTRIES CONTRACT FOR TWO OR FOUR FERTILIZER PLANTS. AS NOTED REF A, KELLOGG ONLY U.S. COMPANY BIDDING AGAINST UHDE (GERMANY) AND MITSUBISHI.

2. FINAL BIDS WERE SUBMITTED JULY 19. KELLOGG SUBMITTED TWO BIDS -- ONE FOR TWO PLANTS AS WELL AS BID ON FOUR PLANTS-- AS REQUESTED BY IRAQIS AND ATTEMPTED TO MEET REQUIREMENT FOR LUMP SUM BID GIVEN REALITIES OF CURRENT ECONOMIC SITUATION. PORTION OF KELLOGG BID IS FIXED PRICE HOME OFFICE SERVICES AND MATERIALS FOR PROCESS PLANTS. REMAINDER WAS LEFT OPEN, BUT KELLOGG HAS GIVEN TARGET PRICE AND OFFERED TO ACCEPT FINANCIAL LIABILITY FOR COSTS EXCEEDING TARGET. COMPANY BELIEVES LIABILITY SUFFICIENT TO
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PAGE 02 STATE 178851

PROVIDE EXCEPTIONAL INCENTIVE TO COMPLY WITH REQUIREMENTS.

ACCORDING KELLOGG REP, MITSUBISHI SUBMITTED LUMP SUM BID
A-IXT CO
AND UHDE BID IS PARTIALLY FIXED COST.

3. KELLOGG CLAIMS ITS TECHNOLOGY IS SUPERIOR TO THAT OF
OTHER TWO COMPANIES. IN ADDITION, FIRM HAS BUILT OVER

100 SIMILAR FACILITIES, GIVING IT FAR GREATER EXPERIENCE.
ONLY REASON COMPANY MAY NOT SUCCEED IN WINNING
CONTRACT IS FAILURE TO BID ENTIRELY FIXED PRICE. GREAT
EFFORT HAS BEEN MADE TO MEET THIS REQUIREMENT MORALLY
IF NOT LEGALLY.

4. IN LIGHT OF ABOVE AND GIVEN SIZE OF PROJECT (APPROXI-
MATELY 1 BILLION DOLLARS), COMMERCE FEELS IT WOULD BE
USEFUL IF POST DISCUSSED MERITS OF KELLOGG PROPOSAL
WITH APPROPRIATE GOI OFFICIALS. IF POSSIBLE TO DO SO,
SUGGEST POST GO AHEAD. DECISION EXPECTED TO BE MADE
AROUND AUGUST 1. INGERSOLL

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Message Attributes

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Disposition Authority: ShawDG
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
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Disposition History: n/a
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